

# LONG TERM CARE INSURANCE

## Do you need long term care insurance?

Maybe. Maybe not.

It is difficult to predict who will need care over a long period of time. Much depends on your age and your health.

Whether you should buy an insurance policy to cover long term care may also depend upon your finances. It doesn't make sense to buy something you can't afford.

We suggest you read this brochure and then talk with family members before making a decision.

### PLAN AHEAD



## What is long term care?

Long term care is the kind of help you may need if you are unable to take care of yourself because of a prolonged illness or disability.

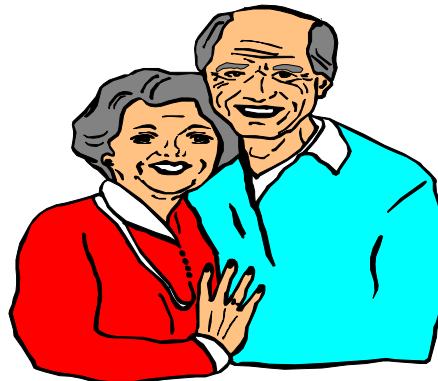
Traditionally, long term care has been offered in nursing homes. The three levels of care available in nursing facilities include: skilled nursing care, intermediate nursing care and custodial care.

**Skilled Care** is the highest level of care provided in nursing homes. Skilled care is given for medical conditions that require care by skilled medical personnel such as registered nurses or professional therapists. This care is available 24 hours a day, and **must be** ordered by a doctor. Some patients require skilled care for a short time after hospitalization.

**Intermediate Nursing Care** is for patients who require daily medical supervision, but not 24-hour care. The care is supervised by registered nurses and ordered by a doctor. However, the patients are usually in stable condition, and fewer procedures are required.

**Custodial Care** is for patients who need assistance with activities of daily living, such as eating and dressing. The care can be provided by staff without medical skills. This type of care can be provided in nursing homes, adult day care centers, personal care homes or at home.

Alternatives to these three types of traditional nursing care are also available depending upon where you live. (Many newer policies use "personal care" to describe "custodial" and "intermediate" care.)



**Home Health Care** is assistance provided in a person's home. It is help provided to ill, disabled or infirm people. It includes both nonmedical and medical services, such as:

- \* **Personal care, which is assistance with daily living activities, such as bathing and eating.**
- \* **Homemaker services, such as cooking and cleaning.**
- \* **Respite care that is designed to help caregivers by giving them a break from the daily duty of caring for a loved one.**
- \* Medical services, such as part-time skilled nursing care, special therapy, and physical or occupational therapy.

**(Bold denotes that you must carefully review your individual policy because these coverages are not necessarily included.)**

**Adult Day Care** is a social and health-related program provided in a group setting within the community.

It's very important to note that policies in Montana now must cover skilled, intermediate and custodial nursing care. **But previously issued long term care insurance policies may or may not cover all of the other services listed above.** You need to ask questions, and carefully compare prospective policies.

Older policies mention levels of care like skilled care, intermediate care, or custodial care. Newer policies will use terms like ADL (Activities of Daily Living) and benefit triggers.

## What are my chances of needing long term care?

Before making a decision about buying a long term care policy, you may want to consider your age, your family's health history, and the average length of stay in a nursing facility.

About 5-6% of Montanans over the age of 65 are in a nursing home. However, it is the "old old" who have a high likelihood of needing nursing home services. 1.4% of all people aged 65-74 reside in a nursing home. That number increases to 6% for people aged 75 to 84, while more than 25% of people 85 and older use such services.

As you can see, the possibility of needing nursing care increases with age. Therefore, when thinking about your health history, you might want to consider whether other members of your family lived a long time.

What are Your Chances of Staying in a Nursing Home More Than 90 days?	
Age	Chances
65-74	1.4% in Nursing Home
75-84	6.0% in Nursing Home
85+	25% in Nursing Home

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*1997 Montana Health Care Association Statistics*

# ***Glossary of Terms***

**ADL's** - Activities of Daily Living are bathing, dressing, toileting, transferring, eating and continence.

**ADULT DAY CARE** - Care provided to persons in a community setting who cannot remain alone but do not require continual nursing care.

**BENEFIT TRIGGERS** - Number of ADL's listed in a policy to begin benefits.

**BENEFIT PERIOD** - A specified amount of time for which benefits will be payable during confinement or period of illness.

**COGNITIVE IMPAIRMENT** - Alzheimers, dementia, and other mental incapacities.

**COINSURANCE** - A percentage of all expenses that an insured person is required to pay. For example, 20 percent of the "reasonable" charges under Medicare.

**CUSTODIAL CARE** - Care that is provided to someone who needs assistance with such daily living needs as eating, bathing, dressing, and taking medication. The care may be provided by nonmedical personnel, but must be based upon doctor's orders.

**DEDUCTIBLE** - This is the initial sum that must be paid by you for services covered under an insurance plan before benefits are paid by the insurance company. Deductibles apply to Medicare, but not to long term care policies.

**DISCLOSURE FORM** - A description of the benefits, exclusions and provisions in a policy.

**ELIMINATION PERIOD** - A specified amount of time an individual must wait before a policy will pay benefits.

**EXCLUSION** - A condition, circumstance or medical expense for which the policy will not pay.

**GUARANTEED RENEWABLE** - The insurance company guarantees that the policy is renewable for life as long as the premiums are paid. The premiums can only increase if there is a rate increase for everyone.

**HOME HEALTH CARE** - Medical and nonmedical services provided to ill, disabled or infirm persons in their residences. These services may include homemaker services such as assistance with preparing meals and cleaning the house. It may include assistance with activities of daily living such as eating, bathing, and taking medication. Respite care may be provided. Or, it may include medical assistance such as skilled nursing care or physical therapy. A physician's order may be required to receive medical assistance.

# *Glossary of Terms*

**INTERMEDIATE NURSING CARE** - Medical care provided in a nursing facility to patients who require daily medical supervision, but not 24 hour care. The care is supervised by registered nurses and ordered by a doctor.

**LIEN ESTATE RECOVERY** - The Medicaid program is required by law to recover assets of recipients to help pay for the cost of their care. Recovery is done by filing liens on home of certain nursing home recipients and by filing claims against the estates of certain recipients who dies age 55 or later or who resided in a nursing home. Recovery is not made when there is a surviving spouse or certain dependents .

**MEDICAID** - A medical assistance program administered by the state and subsidized by the state and federal governments. It provides health care services to those with low incomes or with very high medical bills relative to income and assets. Medicaid provides benefits for long term nursing facility care if income and assets meet eligibility criteria. It also provides home health care.

**MEDICARE** - The federal program which provides people 65 years and older with hospital and medical insurance. Medicare provides only limited benefits for nursing home and home health care services under specific circumstances.

**MEDICARE SUPPLEMENT INSURANCE** - Also known as Medigap. This is insurance purchased in the private marketplace to cover some of the costs not paid for by the federally funded Medicare program.

**PRE-EXISTING CONDITION** - A health condition that existed prior to the effective date of a policy. Many long term care policies have a waiting period of six months for pre-existing conditions.

**PREMIUM** - The dollar amount charged for an insurance policy.

**QUALIFIED PLAN** - Policies that meet federal standards and are qualified for tax deductions under 7702B under the internal revenue code.

**RIDER** - A document that is attached to your policy that changes the coverage you have in your policy. A rider may add coverage, remove coverage, or redefine what sort of coverage the insurance policy provides.

**SKILLED NURSING CARE** - Care provided to patients on a 24-hour basis by skilled nurses based upon a physician's orders.

**WAITING PERIOD** - The time it takes before your policy becomes effective.

**WAIVER OF PREMIUM** - A provision included in some policies which exempts the policyholder from paying premiums while receiving policy benefits.

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On the other hand, it is important to note that family and friends are the care providers for 70 percent of the people who do need long term care.

Additionally, the following data compiled by the National Center for Health Statistics in the National Nursing Home Survey shows the median length of stay for those who enter a nursing facility.

## Median Length of Nursing Home Stays

Age 65-74	53	days
Age 75-84	71	days
Age 85-89	99	days
Age 90-94	169	days
Age 95 +	379	days

If you decide to buy a policy, you may want to keep in mind your chances of needing long term care, and the median length of a nursing home stay.

You will want to consider how many years you want to receive benefits. Policies are sold with benefit terms as short as one year, and as long as a lifetime. Remember, the average nursing home stay is around three months, but increases with age.

## What Does Long Term Care Cost?

Long term care is very expensive. The annual cost in Montana in June of 2000 for private stay in a nursing home was between \$32,000 and \$53,000, or between \$90 and \$146 a day. The state average is about \$113 a day. This cost is more than double the price of service in 1980. By the year 2015, one year in a nursing home is expected to cost in excess of \$60,000.

Costs vary in Montana depending on whether you live in a rural or urban area. According to the state, nursing homes in Montana generally cost between \$2,700 and \$4,380 a month. The average private pay rate for a stay is \$113 a day, or \$3,390 a month.

The cost of home-based health care also is high. In Montana, Medicare pays between \$40 and \$100 for a home health care visit. A visit can last between 15 and 20 minutes, and rarely lasts more than an hour. The cost depends upon the type of service received and where you live in the state.

According to the 1997 Montana Alliance for Home Care Salary Survey, the statewide average for private duty skilled nursing is \$17 to \$19 per hour. The hourly cost of a licensed practical nurse is \$12 to \$13 per hour.

The survey found that the average cost of a personal assistant to help a person with eating and bathing is \$7 to \$9 per hour. Homemaker services to help with preparation of meals and household chores costs between \$6 and \$8 per hour.

## Assessing Your Income

Many people who decide to purchase long term care insurance have assets they want to protect for their children, or they want to preserve their independence and avoid depending on others.

Before shopping for a policy, sit down and list the income and assets you have available to pay for a nursing home stay.

Include the following on your list.

### ***Income:***

- \* Social Security Income
- \* Private Retirement or pension income
- \* Earnings from bank accounts, stocks, bonds
- \* Income from real estate rental
- \* Family contributions
- \* Veterans benefits

### ***Assets you have available that you might sell or cash in:***

- \* Savings accounts
- \* Certificates of deposit, money market accounts
- \* Life insurance cash value
- \* Stocks, bonds, money market funds
- \* Real estate
- \* Personal property
- \* Antiques, jewelry

In general, if your total assets don't exceed the Medicaid guidelines given on page 11 of this publication, you may not need a long term care policy. You shouldn't buy something you can't afford.

Individuals whose assets and normal cash flow are sufficient to pay for the cost of a nursing home stay may also choose not to purchase a long term care policy. Remember, Medicaid may file a lien against the home. (See Definition of Lien Estate Recovery in Glossary)

## What are People Buying?

A study by the Health Insurance Association of America published in 1994 found that people who had a moderate standard of living, and decided to purchase a policy, chose to do the following: They spent about \$97 per month for a policy covering five years of nursing home care paying a daily benefit of \$85 with a 60 day deductible.

Based on an analysis of 6,446 individual long term care insurance policies purchased in late 1994, here is what people bought:

Policy Characteristic	Average
Policy Type	
Nursing Home Only.....	33%
Nursing Home & Home Care.....	61%
Home Care Only.....	6%
Daily Benefit amount for nursing home care.....	\$85
Daily Benefit Amount for Home Care.....	\$78
Nursing Home Only Elimination Period.....	59 days
Nursing Home and Home Care Elimination Period	46 days
Benefit Duration.....	5.1 years
Annual Premium.....	\$1,505

(The majority of these policies paid for home health care at 100% of the daily benefit amount of nursing home care.)

**NOTE:** The above information is provided to show you what others bought who purchased long term care in 1994. It is not meant to suggest that this is what you should purchase.

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## Know What is in Your Policy

Policies are confusing. They are also legal contracts. It's very important that you read your policy and understand what is in it. Reading a sales or marketing brochure is not enough. Do not make a decision based solely upon insurance literature.

Ask your agent for a sample policy. Then ask questions if you do not understand the provisions in it. Good agents and good companies want to make sure you understand what you are buying.

We also suggest you talk over this major decision with someone you trust, and have them look over the policy too.

In addition, you can get information about an insurance company's rating from the Montana Department of Insurance. Several organizations rate insurance companies including A.M. Best, Standard and Poor's, and Moody's. If you call, we will be glad to tell you a company's rating.

Consumer representatives with the Montana Department of Insurance will not be able to advise you on whether you should buy a policy from a particular company. But they will talk with you about what your needs are, and explain anything you don't understand.

The consumer hotline phone number is 1-800-332-6148.

## Can You Afford a Long Term Care Policy?

Long term care is expensive. So are the insurance premiums.

If your savings are low or modest, insurance may not be a good buy. The national average for the length of time it takes to use up all of a person's savings on nursing care is only 13 weeks, or about three months. At that point, many people then become eligible for Medicaid, after the spend down.

You need to ask yourself: Can I afford insurance? Do I have a level of assets worth protecting? If the premiums go up in the future, are my assets sufficient to pay the increase?

If you are 65, it's possible you may be paying premiums for ten or twenty years before you need long term care. If the premiums are \$1,200 a year, you will have paid \$12,000 to \$24,000 in premiums during that time. Can you afford that?

**Questions?**

**Phone**

***1-800-332-6148***



under which the policy can be cancelled and when premiums may be increased.

## Switching Your Policy

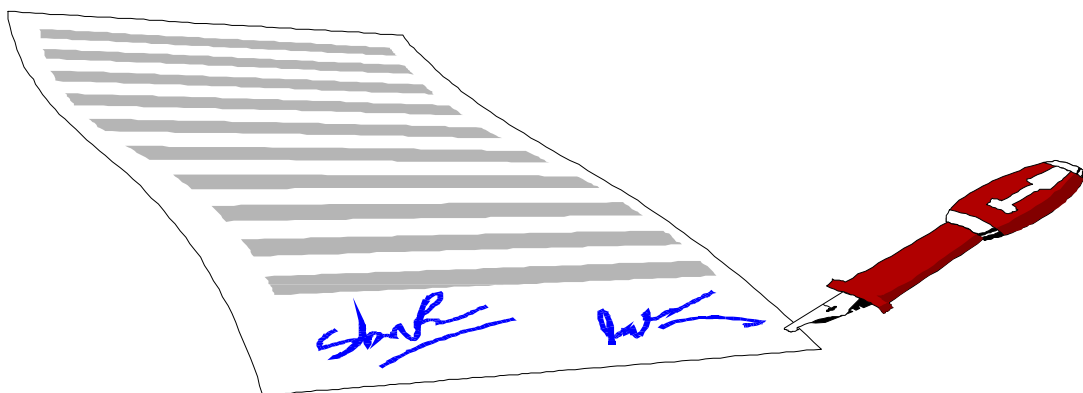
New policies in Montana can no longer have requirements for a prior hospital stay or for prior levels of care. So, in many ways, new policies are more favorable to the consumer than older ones.

Montana law also says that your replacement policy may not contain new pre-existing conditions, waiting periods, elimination periods or probationary periods. So, if you have fully satisfied the waiting period under your present policy, your new policy cannot require another waiting period.

This law applies whether you purchase a new policy with your present company, or a new policy with a new company.

**You should never switch policies before making sure the new policy is really better than the old one. And, you should never discontinue your old one until you know for sure that your new one is in effect.**

## Carefully Review Your Policy Before Signing



## Cancellations

A company can cancel your policy, even if you pay your premiums, if you misrepresent your health status on your application. The company may also be within its rights to deny coverage when you file a claim. It is very important to fill out your application completely and accurately.

Each policy sold in Montana must have a cautionary note regarding cancellation when you sign the application, as well as when you receive the policy or certificate.

## Free-Look Period

Montana law requires that insurance companies give you time to think over this important decision.

You have **30 days** from the time you receive a policy to review it, and decide whether you are happy with it. If, within 30 days of receiving the policy, you decide you are not satisfied for any reason, your entire premium must be refunded. It's a requirement that the notice informing you of the 30-day free-look period be printed prominently on your policy. The Montana Department of Insurance urges you to use this time to review your policy and ask questions.



## Waiting Periods

A waiting period is the time it takes before your policy becomes effective. As previously stated, waiting periods can be the length of time you have to wait because of a pre-existing condition clause, or because your policy requires hospitalization prior to paying for home health benefits.

Your premium cost may also depend upon another type of waiting period. Some policies require that you pay for a specific number of days in a nursing home, or a specific number of home health benefits, before insurance benefits begin.

You will have a choice in structuring your policy. Most policies offer options for waiting periods from 0 to 100 days. If you buy a policy with a 20-day waiting period, your insurance benefits would begin paying for your stay on the 21st day. Naturally, the longer the waiting, or elimination period, the lower your premium.

When selecting your waiting period, you may want to keep in mind that although 45 percent of nursing home stays last three months or less, more than one-third last one year or more. It's the longer stay that can be devastating to your finances. And that's the stay you may want to insure against.

## Waiver of Premium

With some insurance policies, you have to continue paying premiums even if you are confined in a nursing home. It's typical for some companies to re-

quire a 90 day nursing home stay before you can stop paying your premiums. Carefully check to see what restrictions are in your policy.

## Inflation Protection

Because the cost of health care is rising so fast, the policy you purchase today may be less useful tomorrow. Montana law requires companies to offer, as an option, inflation protection to all long term care insurance purchasers. Evidence that the company offered this protection, and your response to the offer, must be in writing. Life insurance policies that contain accelerated long term care benefits are not required to offer inflation protection. Adding inflation protection to your policy will make it more expensive, but also make it more useful.

State law says your insurance company must offer one of the following three options for inflation protection:

**Option 1.** Benefit levels must increase at a compounded rate.

Compound interest protects against inflation. Simple interest, while better than a daily benefit that remains constant, doesn't provide as much protection.

For example, the most common protection offered is 5 percent simple interest. This automatically raises your daily benefit limit by 5 percent each year. An \$80 per day benefit would go up \$4 a year. After 20 years, the \$80 a day policy would have risen to \$160 a day. Your benefits will increase faster, and will more adequately keep up with inflation, if interest is "compounded."

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At 5 percent compounded annually, the \$80 policy would rise to \$212 per day after 20 years.

Many consumers are reluctant to pay for policies that offer inflation protection because the premiums cost much more. But if you buy the policy when you are in your 50s or 60s, an inflation protection rider is the only way to guarantee that the coverage will be adequate when you need it in 20 or 30 years.

**Option 2.** You must be allowed to increase your benefit level periodically without again going through underwriting or without providing evidence of insurability or health status.

**Option 3.** Your policy will cover a specified percentage of actual or reasonable charges for each day you receive care rather than giving you a maximum specified amount or limit.

## Nonforfeiture Benefits

A nonforfeiture benefits clause is a new provision that is now offered in some policies, usually employer-sponsored plans. Montana law now requires this option to be offered to consumers. The law also requires agents to review criteria to ensure the sale is appropriate for your level of income.

If you choose to discontinue your coverage, or your coverage lapses because you forgot to pay the premium, this benefit returns part of what you have paid in premiums. The return will probably not be in cash, but will guarantee some portion of your benefits.

In order to receive a reduced benefit, you must have paid premiums for a certain number of years. The policy should spell this out, and should state what portion of the benefit you will receive. For example, it might state, after ten years of premiums, if you discontinue coverage you will receive benefits at a level of 30 percent.

## Return of Premiums

Some companies offer a return of premium feature. At an additional cost, you can buy a policy that will return all or a portion of your premium depending upon whether you have claims.

Generally, paid claims are deducted from the return of premium.

## Policy Renewals and Cancellations

### Renewing Your Policy

Like all insurance products, your long term care policy can be cancelled if you do not pay your premiums.

However, Montana has a law which states that long term care policies cannot be cancelled or not renewed because of health, age or mental condition.

Look at the renew ability provision of your policy, which is normally found on the first page. It will have the conditions

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Insurance Association of America, a policy offering an \$80 per day nursing home benefit for four years, with a 20-day deductible, cost a 50 year-old about \$325 per year. For someone who was 65-years-old in 1994, the same policy cost about \$855, and for a 79-year-old, the cost was \$3,641. The same policy with an inflation feature may cost \$659 at age 50, \$1,538 at age 65, and \$5,095 at age 79.

The premiums you pay for your policy remain the same each year; they will not increase as you grow older. However, there are two exceptions: Your premium can rise if the company increases the cost of the policy for all policyholders, or you have purchased a policy with an inflation adjustment.

## Benefits

### Nursing Care

Premium costs are directly tied to the size of the daily benefit and the length of time benefits will be paid. For instance, a policy that pays \$70 a day for nursing home care for up to three years will cost less than a policy with lifetime benefits.

In Montana, all indemnity policies are required to pay the designated benefit regardless of the level of nursing care received.

### Home Health Care

Home health care typically pays a different daily benefit amount than nursing care because it's less expensive.

In Montana, home health care coverage may be applied to the non-home health care benefits in your policy to determine the maximum coverage available.

Ask your agent for detailed information about the benefits in your policy.

## Duration of Benefits

Policies usually limit benefits to a maximum dollar amount or a maximum number of days. Often, separate benefit amounts are applied to nursing care and home health care within the same policy.

There are two ways a company may define a maximum benefit period. Under a one-time maximum benefit period, if you buy a three-year policy and stay in a nursing home for three years, it will pay just once in your lifetime.

Other policies offer a maximum benefit period for each "period of confinement." Under this definition, a three-year benefit period would cover more than one nursing home stay lasting up to three years if each stay is separated by six months or more.



- \* An intentionally self-inflicted injury or an injury resulting from a suicide attempt.

- \* An aviation accident except when you are a paying passenger.

5. The company is not required to pay if the service is:

- \* Provided by your immediate family.

- \* Covered by Medicare or another governmental program (except Medicaid).

- \* Provided in a governmental facility, unless otherwise required by law.

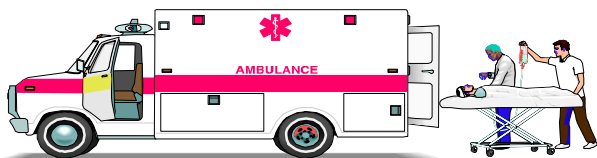
- \* Provided through a state or federal workers' compensation program.

## Prior Hospitalization

In Montana, a policy cannot require prior hospitalization before a nursing home stay.

On the other hand, it can require either a hospital or nursing home stay before paying for home health care benefits. Under Montana law, the insurance company cannot require more than 30 days of confinement before you qualify for home health benefits.

No policy can limit coverage, by using a rider or a waiver, for specific diseases or conditions beyond the six month waiting period for pre-existing conditions.



## Premium Cost and the Factors Which Affect it

Your premium cost will depend upon such factors as where you live, the type of policy you buy, how old you are when you buy it, the benefits it covers, the deductible period chosen, whether you purchase inflation protection, and if you can retain some value if you cancel your policy.

A national study found that individual policies cost about \$1,500 a year in 1994. This compares to an average premium of about \$1,100 in 1991.

The average daily nursing home benefit amount chosen in 1994 was \$85, and the range of benefits offered was between \$40 and \$200 a day.

If you buy a policy with an inflation adjustment, your premiums can increase by 30 to 90 percent. This type of policy will keep your benefits in line with increasing health care costs.

Let's look at some of the factors that contribute to the cost of your policy and your purchasing options.

### Age

The average age of a person who buys a policy is 69. The cost of the coverage will depend on how old you are. Premiums are lower for younger people. But, the younger you are when you buy the coverage, the longer you will pay the premiums. Some insurance companies won't sell a policy to anyone younger than 50 or older than 80.

In 1994, according to the Health

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For example, let's say you are currently taking medication for high blood pressure. If you purchase a policy today, it may not cover long term confinements that relate to high blood pressure, such as a stroke or a heart attack, if they were to occur during the first six months you are insured.

However, if you needed to go into a nursing home because of a cancerous condition that developed after you bought the policy, then you would be covered.

If you have health problems, ask the agent exactly how your medical history would be treated under the policy. Be sure you understand what will and will not be covered. Some companies do not exclude pre-existing conditions. Others exclude them for less than six months.

In addition, the law says that if you decide to replace or convert your existing policy with a new policy, even if it's with the same company, a new waiting period for pre-existing conditions cannot be required. (For example, if you have satisfied four months of a six-month pre-existing condition clause, you would have to satisfy only two months with the new policy.) However, if you decide to increase your benefits, you can be subject to a new waiting period for the increased benefits portion of the policy. **NOTE: IT IS EXTREMELY IMPORTANT THAT YOU FILL OUT YOUR INSURANCE APPLICATION CORRECTLY AND COMPLETELY**

**WHEN APPLYING FOR COVERAGE.** The insurance company can deny you coverage just when you need it most if you did not fill out your medical history properly.

## Specific Exclusions

Before you buy, you need to make sure you understand what is not covered. Policies have different requirements that you may have to satisfy before benefits are payable.

In Montana, all long term policies that do have limitations of some kind have to spell them out in an area that is clearly labeled "Limitations or Conditions on Eligibility for Benefits." Look for that language in your policy.

In Montana, our law allows insurance companies to limit long term care coverage or deny it for the following reasons:

1. Pre-existing conditions.
2. Mental or nervous disorders **except** those that are a result of a demonstrable organic disease or physical injury. **Alzheimers disease cannot be excluded.**
3. Alcoholism or drug addiction.
4. Injuries or illnesses as a result of:
  - \* A war or service in the armed forces.
  - \* Commission of a felony.

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## Expense Policies

Expense policies are different than indemnity policies in that they pay the actual expenses incurred; a set percentage of the expenses incurred; or up to a maximum dollar amount per day.

## Life Insurance Policies

Some life insurance policies offer long term care benefits. Under these “living benefits” provisions, or riders, a portion of the life insurance benefit is paid to the policyholder if long term care is needed. The death benefit under the life insurance policy will then be reduced by the amount paid for long term care. Benefits for long term care are **often** limited by the rider and policy to 50 percent or less of the total death benefit.

Montana law requires that a quarterly report be provided to the policyholder any time long term care is funded through the acceleration of death benefits in a life insurance policy.

Our law requires that the report:

1. State if long term benefits were paid each month in that quarter.
2. Provide an explanation of whether there have been changes in the policy, such as in death benefits or cash values, because of long term care benefit payments.
3. Indicate the amount remaining in long term care benefits.

## What Type of Care Does the Policy Cover?

Health care policies may offer coverage for three levels of care including: skilled, intermediate, and custodial. Many policies also offer home health care and adult day care.

Montana law provides that your policy cannot pay just for skilled care, or more for skilled care than other types of coverage. This is because most nursing home stays are for custodial care.

## Prior Levels of Care

Montana law says that you do not need a prior hospital stay before becoming eligible for nursing home benefits from your long term care policy, unless the policy was issued before 1989. (This is different than the federal government’s Medicare program. As you’ll recall, Medicare does require hospitalization before reimbursing for skilled nursing care.)

The situation is different for home health care. Under Montana law, your policy can require prior confinement, either in a nursing home or in a hospital, before it will pay for home health care. The company cannot require that you use adult day care or some other type of community program before you are eligible for home health care benefits.

Be sure to ask the agent what type of restrictions are in the policy, and must be met, before benefits will be paid.

## Location of Treatment

Your long term care policy must allow you flexibility. It cannot specify places of treatment.

In Montana, long term nursing care only is available in facilities that are licensed by the state as nursing facilities. This means your insurance company only will reimburse you if you stay in a state licensed nursing facility.

But, this doesn't mean you must receive skilled care in order to stay in a home that is licensed to give skilled care. It's just that in Montana, the law requires nursing homes to be licensed at the highest level of care they are authorized to give. It is still possible to receive custodial care in a skilled care facility.

Facilities licensed by the state as personal care homes or retirement homes are not considered nursing homes because they do not provide regular nursing care. Your policy will not cover you in these facilities.

Before you purchase a policy, check to make sure that the type of care you may some day need is available in your community.

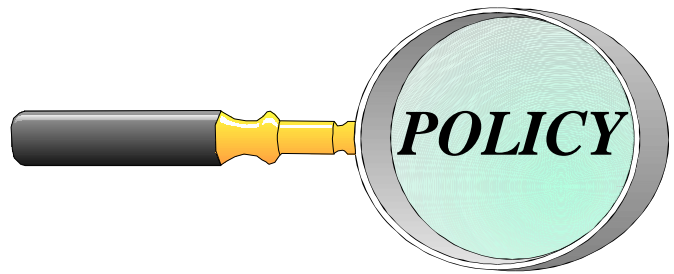
If you have a particular facility in mind, check to see if their services would be covered by your policy. This becomes more important if you live in a rural area where licensed nursing facilities that provide skilled care are not always available.

The Montana Health Care Association has a nursing home brochure and check list that names the licensed facilities in your area. Phone (406) 443-2876 to request one.

Your policy probably will allow you to receive nursing care in another state, if you decide to move to be closer to a family member. You should check for this in prospective policies.

## What is Not Covered?

All policies contain some limitations and exclusions. Be sure to read the prospective policies carefully.



## Pre-Existing Conditions

Insurance policies usually have a pre-existing conditions clause in them. In general, if you have a health problem at the time you become insured, the company will not pay benefits for a certain period of time. That's a pre-existing conditions clause.

In Montana, companies may exclude coverage of pre-existing conditions for the first six months following the effective date of the policy.

Our law says that a pre-existing condition can only be defined as a condition for which medical advice or treatment was recommended by, or received from, a provider of health care services **within six months prior to the effective date of your policy.**





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## Medicaid

Medicaid, a federal-state assistance program, pays for 61 percent of all nursing home bills in Montana. The intent of Medicaid is to assist poor people who are elderly, blind or disabled poor and have medical expenses.

Some people who begin paying for nursing home care out of their own pockets may turn to Medicaid for assistance because they become impoverished.

You may have heard that Medicaid helps people with their nursing home bills if they don't have available assets.

You may wonder, what exactly does that mean?

## Medicaid and Nursing Care

In order to qualify for Medicaid, a county welfare eligibility specialist will conduct a financial review when you apply for this government program. The eligibility specialist will have you list all of your available assets at the time you or your spouse enters the nursing home.

If you are single, in order to qualify for Medicaid, you may have to pay for your nursing home care until your assets are less than \$2,000. You are allowed to keep your house (if you are expected to return to it), personal property and generally your car. You may also keep \$40 a month for personal needs, and the amount you need to pay

for health insurance.

Under the spousal impoverishment program, when a spouse enters a long term care facility, there are new rules for the division of assets for the spouse who remains at home. The spouse at home may retain a maximum of half of the couple's resources, not to exceed \$87,000 (as of 1/01). In addition, certain assets are exempt such as the home in which they live, household goods, and one car. (However, a claim or a lien may be filed against your estate upon death.) There are also new regulations concerning the amount of income the spouse may retain on a monthly basis.

If you have transferred assets in recent years, prior to seeking government assistance, the transfer may be considered in deciding your eligibility for nursing care benefits. If you have questions about Medicaid eligibility, you may wish to consult with the county eligibility office in your area or with an attorney.





## Medicaid and Home Health

If you qualify for Medicaid, you may be eligible for up to 75 nursing visits from a certified home health agency. Other services provided through Medicaid include personal care attendant services, visits by physicians, emergency ambulance service, oxygen and prescription drugs.

### More Information

This is **NOT** the full story on Medicaid. For more information, contact the Montana Department of Public Health and Human Services at the address below.

You may also want to request two pamphlets about the Medicaid program. They are: "Medicaid and You" and, "Can Medicaid Help Me with My Nursing Home Bills."

These publications are available through your county Public Welfare Office, Office of Human Services or Area Agency on Aging, or by contacting:

Montana Department of Public  
Health and Human Services  
Senior and Long Term Care Division  
P.O. Box 4210  
Helena, Montana 59604  
406-444-4077



## Insurance Policies Available

Long term care insurance is rather new. However, in Montana more than 60 companies write individual policies, and 16 companies write group policies.

Like other types of insurance, it is designed to offer a degree of security at a reasonable cost in order to offset the unknown risk of a greater expense.

There are three types of policies offered: indemnity policies, expense policies, and life insurance policies with a rider for long term care.

### Indemnity Policies

Most policies are "indemnity" policies. That means the policy pays a fixed dollar amount for each day you receive care in a nursing facility or in your home.

You usually have a choice of indemnity amounts for nursing care ranging from \$40 to more than \$100 a day. The daily benefit for home health care is usually about half the benefit for nursing care.

Before making a decision about how much you want your policy to reimburse, you need to check the nursing homes in your community and see how much they cost.

Because medical costs keep going up no matter where you live, the state of Montana requires insurance companies to offer you a policy containing an optional inflation adjustment.

More information about that option is on page 20.

# LONG TERM CARE INSURANCE

## Government Programs

### Medicare and Nursing Homes

**Medicare pays less than 2 percent of the nation's total nursing home bills.** The reason this is such a small percentage is because Medicare only covers skilled care. Care that provides assistance given by nonmedical personnel to people who need help with activities like bathing and eating is not covered by Medicare. This level of care is the type of assistance that 95 percent of residents need when they go to a nursing home. Less than five percent require skilled care.

So, when does Medicare pay? It pays only if the following conditions are met:

1. You must have been in a hospital at least **three** consecutive days, not including the day of discharge, before entering a nursing facility.
2. You must receive care in a **SKILLED** nursing facility and occupy a skilled bed.
3. Your doctor must certify that the care you need and receive is skilled nursing care or skilled rehabilitation care. **This means nonskilled care would not be covered by Medicare.**

4. Your admission must be for the same condition for which you were treated in the hospital.
5. The nursing home care must be received within 30 days of discharge from the hospital.

If you meet these conditions, Medicare will pay for:

1. The first 20 days, all covered expenses.
2. The next 80 days, all covered expenses are paid by Medicare with a contribution from you of the daily coinsurance amount. In 2001, the daily coinsurance amount is \$99.
3. Beginning on the 101st day, you are responsible for all charges.

### Medicare Supplemental Insurance and Nursing Care

You can purchase a Medicare Supplemental Insurance policy that covers the co-payment amount between the 21st and 100th day. In 2001, the co-payment was \$99 per day. But, once again, the Medicare Supplemental policy will only cover nursing care that is covered by Medicare.

You can see that if you were discharged from a hospital and went to a nursing home to receive ongoing medical treatment, Medicare would help up to a certain point. But if you were discharged from a hospital, and only required assistance with bathing and eating, Medicare would not pay.

## Medicare and Home Health Care

*When ordered by a doctor, home health care coverage includes:*

1. The services of a part-time skilled nurse.
2. The services of physical and speech therapists furnished by a Medicare certified home health agency.
3. Other services such as home health aide services, occupational therapy, medical social services, and medical supplies, if ordered by your doctor.
4. Payment of 80 percent of the cost of durable medical equipment; you pay 20 percent.

*Medicare does not cover:*

1. Full time nursing care.
2. Drugs or meals delivered to your home.
3. Home services that primarily assist you in meeting personal care or housekeeping needs.

## Medicare Supplemental Insurance and Home Health Care

There are some Medicare Supplemental Insurance policies that offer an enhancement of the home health services provided through Medicare. The policies pay for additional home health visits which are provided on a short term basis. The visits may be used for assistance with daily living activities if you are recovering from an illness, injury or surgery. This coverage usually is very limited in benefits.

## **NOTE:**

If you'd like to learn more about what is covered, you may request a free copy of a brochure. It was developed by the Health Care Financing Administration of the U.S. Department of Health and Human Services, as well as the National Association of Insurance Commissioners. The publication number is HCFA-02110.

To request a brochure contact:  
State Health Insurance Assistance Prog.  
Long Term Care Division  
Box 4210, Helena, MT  
59604-4210

or:

U.S. Department of Health and  
Human Services  
Health Care Financing  
Administration  
6325 Security Boulevard  
Baltimore, Maryland 21207

Or you may obtain the publication by contacting the Montana Insurance Department at the offices listed on page 4.



# LONG TERM CARE INSURANCE

State Auditor's Office  
Department of Insurance  
*State of Montana*



This publication was produced by  
the Montana Department of Insurance  
in cooperation with  
the Montana Partnership for Health Insurance Counseling

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2001

## Useful Addresses and Free Publications

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*\*The Medicare Handbook*

*\*Guide to Health Insurance for People with Medicare*

Publication No. HCFA-02110

*\*Guide to Choosing a Nursing Home*

Publication No. HCFA-02174

**Available from: State Health Insurance Assistance Program**

**Senior and Long Term Care Division**

**P.O. Box 4210, Helena, MT 59604-4210**

**or: US Department of Health and Human Services**

**Health Care Financing Administration**

**6325 Security Boulevard, Baltimore, MD 21207**

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*\*Montana Buyer's Guide to Medicare Supplemental Insurance*

**Available from: MONTANA DEPARTMENT OF INSURANCE**

**Senior and Long-Term Care Division**

**P.O. Box 4009**

**Helena, MT 59604-4009**

**(406) 444-2040 or (800) 332-6148**

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*\*Medicaid Estate Recovery Program*

*\*Can Medicaid Help Me with My Nursing Home Bills?*

*\*Questions about Medicare and Insurance*

**Available from: Montana Department of Public Health and Human Services**

**P.O. Box 4210**

**Helena, MT 59604-4210**

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*\*Licensed Nursing Homes*

*\*Nursing Home Check List*

**Available from: Montana Health Care Association**

**36 South, Last Chance Gulch, Suite A**

**Helena, MT 59601**

**Rose Hughes (406) 443-2876**

### Important Phone Numbers

Montana Department of Insurance	(800) 332-6148
	(406) 444-2040
Montana Department of Public Health and Human Services	
Aging Services Bureau	(406) 444-7788
Medicaid Services Division	(406) 444-4540
Senior and Long Term Care	(406) 444-4077
Lein Recovery Program	(406) 444-4162
State Health Insurance Assistance Program	(800) 332-2272
State LTC Ombudsmen	(800) 332-2272

# LONG TERM CARE INSURANCE

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## How Much Does Insurance Cost?

An insurance policy for long term care is expensive.

According to a 1994 publication by the Health Insurance Association of America, individuals paid an average of \$1,500 per year, or \$125 per month, for policies purchased in 1994.

Later in this brochure, we will tell you more about the options you have in choosing a policy and how those factors affect the premium cost.



## Who Pays for Long Term Care?

Many people assume that MEDICARE will pay if they need long term care. **Unfortunately, this is not true for most people.** Medicare only pays limited benefits in instances which will be outlined shortly.

Many people assume that their private Medicare supplement insurance will pay for long term care expenses. **This is not the case.**

Medicare Supplemental Insurance is designed to pick up the costs of services not paid for by Medicare, such as hospital deductibles or physician co-payments. But supplemental insurance does not go beyond that. **It covers only those services that are authorized by Medicare.** So, since Medicare does not cover long term care for the most part, neither will Medicare Supplemental Insurance.

Many people assume that the health insurance they have through their employer will pay for long term care. Although more employers are beginning to offer this benefit, it's not widespread.

### SO WHO PAYS?

**YOU DO** -- or in many cases, **MEDICAID** does, after you or your family qualify for government assistance after spending a great deal of your assets on nursing care.

Let's look at who pays for nursing care in more detail.

# LONG TERM CARE INSURANCE

## Shopping Suggestions

- ❑ Your medical history is very important. Fill out the application truthfully and completely. Do not trust an agent who says your medical history is not important. If the health information on the application is wrong, the insurance company can refuse to pay your claims or can cancel your policy. **If the agent fills out the medical information for you, look it over and make sure it is correct before signing the application.**
- ❑ Do not buy more than one long term care policy.
- ❑ Carefully compare policies. They are not all the same.
- ❑ Check with several companies and several agents before buying.
- ❑ Our state requires that an agent leave an outline of coverage at the time he or she initially contacts you. If an agent promises to provide the information later, we suggest that you do not deal with that person.
- ❑ Be wary of an agent who says a policy can be offered only once. Do not let anyone scare you or pressure you into making a quick decision.
- ❑ Ask the agent to come back a second time. Tell him or her you want a trusted friend or family member to hear the information before you purchase the policy. If the agent is not willing to come back again, do not purchase insurance from that agent.
- ❑ If the agent gives you answers that are vague or that differ from the information in the policy or brochure, do not buy the insurance. Tell them you want to look over the policy.
- ❑ **Never pay the agent in cash.** Always write a check payable to the insurance company and get a receipt.
- ❑ Be sure to get the name, address and telephone number of the agent and the company he or she is representing.
- ❑ Remember, if you purchase a policy, you do have a 30-day free-look period. Be sure to review your policy, and make sure it is what you thought you were buying.





# NEW TAX CHANGES AFFECTING LONG TERM CARE INSURANCE PREMIUMS AND BENEFITS

## Favorable Tax Treatment

Federal tax laws were revised January 1, 1997 to specifically address the tax treatment of unreimbursed long term care and expenses as well as long term care insurance benefits and premiums.

The favorable tax treatment of long term care insurance premiums you pay and benefits you receive will only apply if the policy you buy is a qualified long term care policy, as defined by federal law. The insurer should state in writing whether the policy it proposes to issue you is a qualified long term care insurance policy.

Federal law now provides that unreimbursed expenses for qualified long term care services are treated as medical expenses for itemizing deductions (subject to the floor of 7.5% of adjusted gross income). Long term care insurance premiums also are treated as medical expenses for itemized deductions. This variable deduction increases with the age of the taxpayer. The premium amounts are to be indexed to account for inflation.

Proceeds from a long term care insurance contract are excluded from taxable income, subject to a cap of \$175 per day, or \$63,875 annually, on per-diem contracts. If the aggregate amount of periodic payments exceeds the cap, the excess payments are excluded from taxation only to the extent they represent actual costs for long term care services during the period.

\*LTC Policies issued before January 1, 1997 automatically qualify.

\*LTC policies issued on or after January 1, 1997 must be qualified (meet federal standards) before you can deduct the premium. As mentioned, the maximum amount you can add to your deductible medical expenses is a function of your age.

## Maximum Deductibles For LTC

Age	Limit on Deduction
40 and under	\$200
41 to 50	\$375
51 to 60	\$750
61 to 70	\$2000
71+	\$2500

## TAX CHANGES IN MONTANA

The state provides a full deduction for premium payments made by the taxpayer on long term care insurance policies for:

- 1)The benefit of the **taxpayer** (applies to tax years beginning after December 31, 1994;) and
- 2)the benefit of the **taxpayer, the taxpayer's dependents, and the taxpayer's parents and grandparents** (applies to tax years beginning after December 31, 1996). (MCA 15-30-121)



**MONTANA STATE AUDITOR**  
JOHN MORRISON

COMMISSIONER OF INSURANCE  
COMMISSIONER OF SECURITIES

Dear Consumer,

I am pleased to provide you with a copy of the Montana Consumer's Guide to Long Term Care. This guide includes tips on choosing a long term care insurance policy.

For most consumers, the purchase of a long term care insurance policy requires a lot of long, hard thought. The policies are difficult to understand because they contain confusing phrases, and they vary widely on benefits and costs. The purchase of a long term care policy can also become a rather emotional decision, especially when we think about the inability to take care of ourselves in the same way in the future as we have in the past.

We hope to give you the financial facts you need to get around these obstacles in making a good decision for you and your family.

If you have any questions regarding long term care insurance policies, or any other type of insurance, please contact my office. Our toll-free number for outside the Helena area is 1-800-332-6148, and 444-2040 in the Helena area.

Sincerely,

A handwritten signature in black ink, appearing to read "J. Morrison", followed by a horizontal line.

**John Morrison**  
*State Auditor and  
Commissioner of Insurance*

# STATE AUDITOR'S OFFICE

## COMPOSITE LIST OF LONG TERM CARE INSURANCE CARRIERS

The following is a list compiled from two sources. The primary source was the National Association of Insurance Commissioners' database, which utilized data from the year ending December 31, 1994 as reported on the annual statement filings specific to long term care of insurers licensed in Montana. Additional information also was included from a list of insurance companies found in the Montana Consumer's Guide to Long Term Care, which was issued in June 1994.

Aetna Life Insurance and Annuity Company  
Aetna Life Insurance Company  
Aid Association For Lutherans  
AIG Life Insurance Company  
Allianz Life Insurance Company of North American  
Allied Life Insurance Company  
American Family Life Assurance Company of Columbus  
American Fidelity and Liberty Insurance Company  
American Fidelity Assurance Company  
American Heritage Life Insurance Company  
American Independent Life Insurance Company  
American National Insurance Company  
American Republic Insurance Company  
American Travellers Life Insurance Company  
Bankers Life And Casualty Company  
Bankers Multiple Line Insurance Company  
Bankers United Life Assurance Company  
Beneficial Life Insurance Company  
Blue Cross and Blue Shield of Montana  
Celtic Life Insurance Company  
Colonial Penn Life Insurance Company  
Connecticut General Life Insurance Company  
Connecticut National Life Insurance Company  
Continental Casualty Company  
Continental General Insurance Company  
Cuna Mutual Life Insurance Company  
Equitable Life & Casualty Insurance Company  
Equitable Life Insurance Company of Iowa  
Federal Home Life Insurance Company  
First Penn-Pacific Life Insurance Company  
General Electric Capital Assurance Company  
Great American Life Insurance Company  
Hartford Life and Accident Insurance Company  
Hartford Life Insurance Company

# **STATE AUDITOR'S OFFICE**

## **COMPOSITE LIST OF LONG TERM CARE INSURANCE CARRIERS**

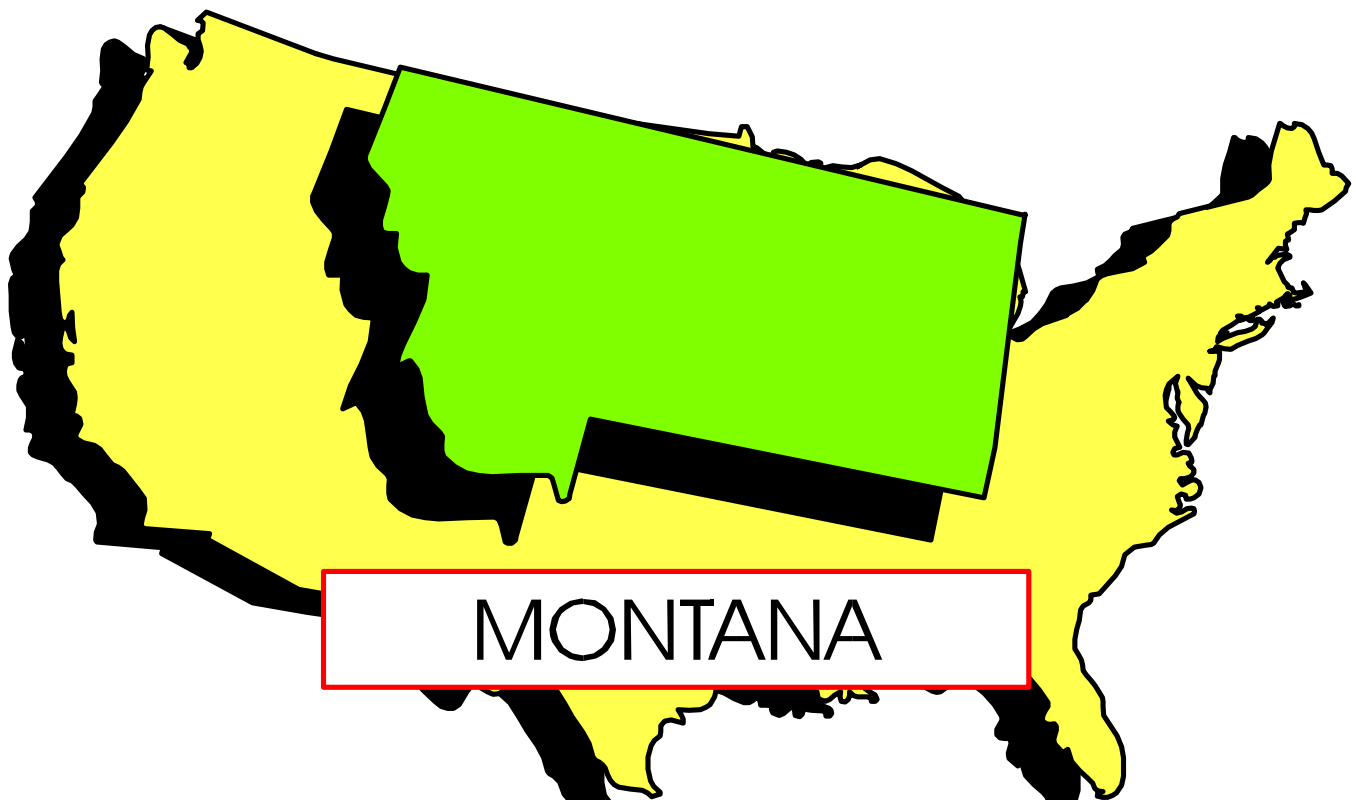
IDS Life Insurance Company  
J.C. Penney Life Insurance Company  
John Alden Life Insurance Company  
John Hancock Mutual Life Insurance Company  
Kansas City Life Insurance Company  
Life and Health Insurance Company of America  
Life Investors Insurance Company of America  
Lincoln Benefit Life Company  
Lincoln National Life Insurance Company  
Lutheran Brotherhood  
Medical Life Insurance Company  
Medico Life Insurance Company  
Monumental Life Insurance Company  
Mutual of Omaha Insurance Company  
Mutual Protective Insurance Company  
National States Insurance Company  
New York Life Insurance Company  
Penn Treaty Network American Insurance Company  
PFL Life Insurance Company  
Physicians Mutual Insurance Company  
Pioneer Life Insurance Company  
Principal Mutual Life Insurance Company  
Provident Life and Accident Insurance Company  
Prudential Insurance Company of America  
Pyramid Life Insurance Company  
Reliance Standard Life Insurance Company  
Reliastar Life Insurance Company  
Reliastar United Services Life Insurance Company  
Security-Connecticut Life Insurance Company  
Standard Life and Accident Insurance Company  
State Farm Mutual Automobile Insurance Company  
State Mutual Insurance Company  
Sunset Life Insurance Company of America  
Teachers Insurance and Annuity Association of America  
Time Insurance Company  
Transamerica Occidental Life Insurance Company  
Transport Life Insurance Company  
Travelers Insurance Company  
Trustmark Insurance Company (Mutual)  
Union Bankers Insurance Company  
United American Insurance Company  
Unum Life Insurance Company of America  
Western Reserve Life Assurance Company of Ohio

The State Auditor's Office attempts to provide reasonable accommodation for any known disability that may interfere with a person's ability to participate in any service, program, or activity of the agency. Alternative accessible formats of this document will be provided upon request. For more information, call 406-444-2040 or TDD 406-444-3246.

# *NOTES*

This guide is supported, in part, by the Health Care Financing Administration, Division of Beneficiary Services, and U.S. Department of Health and Human Services.

Grateful acknowledgement also is extended to the Missouri Department of Insurance for allowing use of information from its long term care guide.

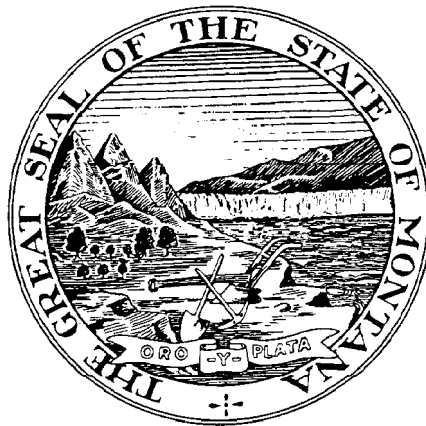


# **MONTANA CONSUMER'S GUIDE TO LONG TERM CARE**

**INSURANCE**

**NURSING HOMES**

**IN-HOME CARE**



**John Morrison - State Auditor - Insurance Commissioner**